UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/C.10/1994/9
11 March 1994

ORIGINAL: ENGLISH

COMMISSION ON TRANSNATIONAL
CORPORATIONS
Twentieth session
Geneva, 2-11 May 1994
Item 7 of the provisional agenda*

EXPERIENCE GAINED IN TECHNICAL COOPERATION ACTIVITIES RELATING TO FOREIGN DIRECT INVESTMENT AND TRANSNATIONAL CORPORATIONS

Entrepreneurship and enterprise development

Report by the UNCTAD secretariat

SUMMARY

Over 2,250 entrepreneurs have actively benefited so far from the programme on entrepreneurship development for small- and medium-scale enterprises in Africa and Latin America. Each country programme has developed a strong and dynamic national association of entrepreneurs, supported by a coalition of bankers, established local businessmen and representatives of subsidiaries of TNCs. The programme has evolved to a stage where there is active cross-border investment and alliances between entrepreneurs in each of the two regions and an emerging process of interregional networking and business links.

* E/C.10/1994/1.

CONTENTS

		Paragraphs	Page
INTRODUCTION		1 - 7	3
I.	DIFFERENT APPROACHES TO ENTREPRENEURSHIP AND ENTERPRISE DEVELOPMENT	8 - 15	4
II.	THE EMPRETEC PROGRAMME	16 - 35	6
	A. The concept	16 - 22	6
	B. The structure	23 - 31	7
	C. Unique features	32 - 35	14
III.	PROGRAMME RESULTS	36 - 50	15
	A. Current programmes	36 - 39	15
	B. Impact on entrepreneurship and development of small- and medium-sized enterprises	40 - 45	16
	C. Impact on regional and international enterprise cooperation	46 - 50	19
IV.	EVALUATION	51 - 74	22
	A. Programme strengths	59 - 62	24
	B. Programme shortcomings and needed improvements	63 - 67	25
	C. Cost effectiveness	68 - 70	26
	D. Personnel/budget issues	71 - 74	27
V.	LESSONS LEARNED	75 - 94	27
	A. Concept	76 - 84	28
	B. Implementation modalities	85 - 94	30
VI.	FUTURE DIRECTION	95 - 100	31

INTRODUCTION

1. In the past six years the Programme on Transnational Corporations has developed innovative projects of technical cooperation in response to increasing requests from developing and transition economy countries for assistance in opening up their economies to foreign investment, accelerating their technological progress, and developing their national capacity to form successful partnerships with foreign investors.

2. One of these projects, EMPRETEC, 1/ focuses on entrepreneurship development 2/ and on the untapped potential for extensive collaboration between transnational corporations and small- and medium-scale enterprises (SMEs) in developing and transition economy countries. Such enterprises, though small, can develop into dynamic and technologically sophisticated companies. When provided with a supportive business climate, SMEs have a proven ability to deal successfully with TNCs as suppliers, service firms, and joint venture partners. For the local entrepreneur, linking up with TNCs opens a way to new sources of revenue, credit, capital, technology transfer, development of high-skilled personnel, improved management, overseas markets and profitable partnerships. For TNCs, successful SMEs can be dependable and low-cost suppliers and contribute to a dynamic investment climate, to expanding domestic markets and to higher long-term profits.

3. While promoting the creation and growth of SMEs in developing and transition economy countries through entrepreneurship development and linkages with TNCs, EMPRETEC enhances recognition of the opportunities for mutually beneficial cooperation between TNCs and SMEs and develops a national capacity to advise and assist them in practical collaboration.

4. A review of existing enterprise development projects conducted prior to formulating EMPRETEC showed, that despite the critical importance of entrepreneurs and entrepreneurship, 3/ only India among the developing countries had a private sector development strategy or programme that included any systematic means for identifying entrepreneurial potential, for enhancing that potential, or for stimulating new sources of entrepreneurship. And there was not a single project for stimulating business linkages with TNCs. Venture capital, which is more attuned to the identification and financing of entrepreneurial potential, was until fairly recently scarcely available in most developing countries. Financing institutions typically had excellent systems for assessing collateral, mediocre systems for assessing project feasibility, and no system at all for assessing entrepreneurial acumen.

5. There were many training projects for developing and strengthening business skills such as management, accounting, marketing and inventory control, and for preparing business plans and feasibility studies, but none of them addressed the fundamental question of how to select and strengthen the entrepreneur. Moreover, most of the projects were directed to the informal sector, or to micro-enterprises but very few were specifically concerned with the small- and medium-sized enterprises.

6. EMPRETEC focuses on SMEs, companies which could eventually grow and internationalize. The target group is educated entrepreneurs capable of understanding and mastering technology. SMEs - generally defined as companies which are larger than the traditional micro- or family business, but not exceeding 200 employees - contribute to substantial job creation and expansion and have the potential of creating demand for the goods and services of micro-enterprises. Entrepreneurship is important for any kind of economic activity, but it is absolutely crucial for the SME sector.

7. This report deals with EMPRETEC, now an UNCTAD technical cooperation programme, which in the last six years has provided cost-effective assistance to more than 2,000 emerging entrepreneurs in Latin America and Africa. The report discusses EMPRETEC's structure and unique features, its impact on business development at the national and regional levels, lessons learned in the course of implementing it, its long-term sustainability, and the contribution it is making to fostering SME-TNC business linkages.

I. DIFFERENT APPROACHES TO ENTREPRENEURSHIP AND ENTERPRISE DEVELOPMENT

8. Entrepreneurship and enterprise development programmes have been found to be effective tools for improving the efficiency and productivity of businesses, particularly when focused on SMEs. These programmes lower transaction costs, exploit opportunities for efficient production that have been missed because of biases and constraints, overcome market imperfections working against SMEs, and increase the capacity of entrepreneurs to respond to market incentives. Enlarging the supply of carefully selected and trained entrepreneurs can provide the impetus needed to establish a dynamic pattern of employment generation and productive self-employment, thus contributing to a more vigorous process of industrialization.

9. While there are many entrepreneurship development programmes, most can be classified under three categories: (a) entrepreneurship promotion programmes; (b) new enterprise creation programmes; and (c) programmes for experienced entrepreneurs.

10. Entrepreneurship promotion programmes are mostly educational in nature in that they usually do not contain a permanent enterprise-creation element. They focus on providing general information about entrepreneurship to encourage participants to think about taking up entrepreneurship as a career. As a rule these programmes form part of the education system at various levels. The programmes are usually short and last from one day up to one week.

11. Some programmes, such as Young Enterprise in Oxford, England, give these potential entrepreneurs an opportunity of forming and running their own limited short-term companies, yet overall their objectives are limited to: (a) increasing knowledge and awareness of business activities while promoting further education and career choice; (b) developing initiative and self-confidence; (c) improving leadership skills and concepts of teamwork; (d) assisting in forming positive relationships with others; and (e) enhancing ability to give and receive advice and criticism, encouragement and support.

12. New enterprise creation programmes are comprehensive training packages aimed at developing certain entreprene rial competencies in participants which could lead to self-employment, economic self-sufficiency or employment generation. These programmes focus on developing the knowledge, skill and attitude necessary to run a business. An integrated process of identification, motivation, training, counselling and support is the basis of the approach followed in order to achieve desired and permanent results. Many such programmes focus solely on developing first-generation new enterprises. An example of this approach is the programme of the Entrepreneurship Development Institute (EDI) in Ahmedabad, India. The EDI programme was established in 1983 and has been duplicated in all Indian states. EDI has expanded its programme beyond the traditional business sectors and now encompasses people who had been previously excluded from the business community because of their socio-economic background, gender or other reasons.

13. EDI's training activities consist of a mixture of classroom study, counselling, field and work experience lasting 150 hours through six weeks of full-time participation, or 180 hours in three months of part-time work at night for currently employed persons. After selection of participants is completed, each potential entrepreneur must provide a viable business project. Through the course-work they are equipped with basic managerial understanding while receiving technical support for their specific projects. Once that is achieved, they are assisted in securing financing. Upon graduation, participants are provided with follow-up counselling.

14. Programmes for experienced entrepreneurs focus on improving business practices and performances of entrepreneurs who cannot afford to employ specialists to work with their ventures. The Small Business Centre at Durham University Business School in the United Kingdom initiated its Small Firms Growth Programme in order to assist British entrepreneurs in developing the strategic management capability of individual owner-managers. The programme includes four components broken down into: enterprise development workshops, business profiling at each participant's workplace, specific business counselling and informal support services. After 15 days of workshops over a period of 12 months, technical assistance is tailored to the entrepreneurs' specific needs.

15. Another strategy incorporated into a programme for established entrepreneurs is the Improve Your Business programme of the International Labour Organization (ILO). This management and training programme for micro- and small enterprises in developing countries offers courses on basic business knowledge and activities. The training is carried out through seminars, workshops, and counselling. Participants are usually entrepreneurs from the same business sector, so the course-work can be tailored to focus on common problems faced by all in attendance. The course-work timetable is dependent upon knowledge of the participants and follow-up activities are usually group-oriented. 4/

II. THE EMPRETEC PROGRAMME

A. The concept

16. The EMPRETEC programme combines elements of programmes under each of the three categories, but in addition it has unique features. They are the following:

(a) An effective procedure for identifying and selecting promising entrepreneurs;

(b) A coalition of private and public sector leaders that participates in the direction of the programme at the national level;

(c) The mobilization of active support from the business community, including TNCs;

(d) A network linking EMPRETEC graduates within the country, across borders within the region, and internationally;

(e) A mechanism to foster business linkages between foreign and domestic SMEs;

(f) An institution-building component.

17. The EMPRETEC concept draws on selected aspects of three programmes, namely the Entrepreneurship Development Programme of India's EDI, the Gemini programme of Bocconi University's Business School (Italy), and the Rensselaer Polytechnic Institute's (RPI) industrial innovation programme based in Troy, New York, United States of America. The experiences of India's EDI and of the Italian Gemini programmes showed that targeted intervention can substantially improve the survival rate of SMEs, and the RPI programme established a successful approach to transforming a depressed area (Troy, New York) into a high-tech centre - through a highly effective interaction between industry, university and government.

18. In addition, the entrepreneurial training component of EMPRETEC draws on the results of four years of USAID-supported research on personal entrepreneurial characteristics conducted by the Washington, D.C.-based firm Management Systems International (MSI). The MSI research demonstrated that promising entrepreneurs can be identified and trained, and based on the results of this research MSI developed a compact, cost-effective, training programme for identifying and developing local sources of entrepreneurship. By providing a sharp focus, the MSI-developed programme covered in two weeks training materials which until then were given over longer periods of one to two months.

19. EMPRETEC has been designed as an entrepreneurship and business development programme to provide training, technical assistance, and an institutional base for the formation, expansion and transformation of SMEs. The programme identifies promising entrepreneurs, provides them with training aimed at developing their entrepreneurial traits and at understanding basic business procedures, assists them in the preparation of business plans and in financing

their business ventures, helps to arrange mutually beneficial connections with larger national and foreign companies, and makes available long-term support systems to facilitate the growth and internationalization of their ventures.

20. EMPRETEC emphasizes the building of effective, active coalitions of public institutions, private business associations, national and foreign companies, and multilateral organizations which grow into a self-sustaining infrastructure. This coalition provides the environment and the skills, financial resources, technology, market opportunities, training programmes and technical information necessary for entrepreneurs to realize their projects and expand their activities within and beyond national frontiers. Each EMPRETEC country programme accordingly draws on a country's existing efforts and institutions, on multilateral programmes and on TNCs and other larger companies in the country, to facilitate - by providing advice, training, technology supplies, marketing access or equity financing - the success of the country's SMEs.

21. The programme aims at establishing a permanent private sector institutional base for developing and assisting SMEs. Each country programme is planned by a working group drawn from local and foreign businesses and from relevant government and multilateral organizations, with the executing organization acting as facilitator. Similarly, public and private sector representatives assist with parts of the training and support elements of the programme. Rather than duplicate efforts, EMPRETEC arranges for effective cooperation with existing local government, NGO and multilateral agency programmes. By emphasizing public-private sector cooperation and by training local people to carry on the workshops and follow-up support, EMPRETEC is self-sustaining. Further, by charging cost-recovery fees as the programme evolves, EMPRETEC is expected to become largely self-financing in three to four years.

22. The role of the central executing agency is (a) to ensure the programme is established and successfully implemented in each country in accordance with the envisaged framework; (b) to make any necessary adjustments in light of specific country circumstances and of lessons learned from other country programmes; (c) to assist in international networking; and (d) to assure long-term high-quality standards of performance.

B. The structure

23. The EMPRETEC programme is composed of six interacting modules, namely: (a) establishing an institutional base; (b) entrepreneurship training; (c) enterprise creation and development; (d) regional and international networking; (e) technology development; and (f) capacity-building. These modules are designed to be sequentially implemented until the full programme is operational.

24. Prior to installing the programme in each country, a specific country programme strategy is designed to address the critical constraints to growth of the SME sector in the particular country, as identified from a field mission and from surveys conducted by international organizations, donor agencies, and local organizations. Although the activities listed below are common to all the country programmes, the implementation modalities may vary from country to

country depending on the specific institutional set up and economic circumstances. For example, the government role in EMPRETEC may tend to be larger in countries with active SME government agencies than in those with weak or no specific SME units. Also, a more intensive effort to secure financing for EMPRETEC enterprises will be needed in countries which either lack lending programmes for SMEs or undergo rapid inflation.

1. Establishing an institutional base

25. Under this module six main activities are carried out:

(a) Involvement of interested top-level government officials and business leaders in the setting up and funding of the programme in each country;

(b) Identification of a strong private sector counterpart organization which provides the operating base for the programme;

(c) Identification and recruitment of a national programme director (with a strong private sector background), to manage the overall programme and the business support centre. The centre, which is the operating arm of the EMPRETEC programme in the country and is established in the counterpart organization, organizes the training workshops and provides advice and follow-up support to entrepreneurs;

(d) Recruitment of an assistant director, who generally takes responsibility for the training component of the programme, and assists the director in providing follow-up support to the entrepreneurs and in the selection of promising projects;

(e) Identification of (12) members of the board of directors, and constitution of the board. The board - which is composed of interested high-level government officials, prominent company executives, and leaders of private sector organizations, including banks, universities and NGOs, oversees the programme and provides continuing guidelines for the programme's operations. The board, which typically meets quarterly, establishes a small business committee from among its members to ensure that the business projects which the programme recommends to bankers, and to outside investors, are of the highest quality;

(f) Working out cooperation arrangements with other SME-supporting institutions in the country.

Long-term continuity of the programme, which is key to enterprise development given the long gestation period of new businesses, is facilitated by these institutional arrangements which are designed to ensure wide community support and to build the basis for transferring responsibility for the programme to national institutions at the end of the four-year direct involvement of the international executing organization.

2. Entrepreneurship training

26. The central element of this module is a two-week entrepreneurship training workshop which emphasizes behavioral aspects of entrepreneurship while building and reinforcing the skills necessary to develop and operate a small- or medium-scale enterprise. The main activities are:

(a) Carrying out an outreach campaign through the media, government agencies, and private organizations in order to identify promising entrepreneurs and to sensitize the public to critical entrepreneurship concepts;

(b) Selection of the 25 to 30 most promising candidates for each workshop from over 200 applicants through a carefully designed screening procedure, involving written applications and personal interviews to assess participants' entrepreneurial strengths and weaknesses, their overall entrepreneurial potential and their business "readiness". This is an important step of the programme that has been found to be a critical factor in the overall quality and success of EMPRETEC. About 80 per cent of the participants are established entrepreneurs since the selection process is oriented towards people with business experience;

(c) Conducting the two-week entrepreneurship training workshop, which is designed to strengthen entrepreneurial talents and overcome entrepreneurial shortcomings. The workshop is an intensive programme for identifying and expanding participants' potential to initiate or improve businesses or other entrepreneurial activities. It is an opportunity for entrepreneurs to become more familiar with the behavioural competencies of successful entrepreneurs; to look for, recognize and "code" those behaviours in themselves and in others; to strengthen and enhance the behaviours they choose to work on through practice and reinforcement; finally to apply these behaviours in their own businesses. The target audience for the workshop includes, in addition to start-up and established entrepreneurs, professionals in public or private sector organizations that are expected to act in an entrepreneurial manner. The workshop serves as a critical instrument:

(i) To provide the motivation and build the solidarity lacking in many environments that enable the entrepreneur to work in more confidence;

(ii) To thus create workshop bonds which are instrumental for business growth and for building a critical base of competent, committed entrepreneurs, who become the driving force of the programme and ensures the successful implementation of its subsequent stages. This is practically achieved through the EMPRETEC Business Forum, an association established by participating entrepreneurs, not by EMPRETEC staff, at the completion of the first or second workshop; the associations link together in regional and international associations, interchanging information on business opportunities and on services for their members;

(iii) To build trust among participants (an important factor to stimulate successful partnerships) and between them and the programme;

(d) Training-of-trainers' workshops to train and certify local entrepreneurship lead trainers who take over the conduct of the entrepreneurship workshops beginning with the second year of the programme. Candidate trainers have to participate in four entrepreneurship training workshops, where they gradually increase responsibilities from plain participation in the first workshop to lead trainer in the last workshop. Certification is granted when they perform according to pre-established standards.

3. Enterprise creation and development

27. Under this module, promising, innovative, project ideas of "Empretecos" 5/ are identified by the EMPRETEC staff, developed in cooperation with bankers and business consultants into bankable project proposals, and turned into successfully operating ventures. In order to achieve these results many activities are undertaken, the main ones being:

(a) A four-month series of short weekly workshops enabling small groups of six to eight Empretecos to analyse their businesses and develop action plans under the guidance of a trained facilitator, who is retained by the EMPRETEC Business Centre on a part-time basis. The action plans lead directly into business plan preparation;

(b) Identification by the EMPRETEC national staff of promising project ideas presented by participants at the various EMPRETEC-sponsored training workshops;

(c) Evaluation by private sector panels of bankers and successful business people 6/ of selected business plans submitted by Empretecos who are advised on how to convert them into bankable project proposals;

(d) Assistance to Empretecos in developing and finalizing their project proposals, including preparation of feasibility studies, by cooperating business executives or associated consultants;

(e) Assistance to Empretecos in securing finance and in launching the project, by the EMPRETEC national staff. In this context, efforts are made to facilitate Empretecos' access to credit, for instance by helping set up a credit line for EMPRETEC businesses within an established banking institution (e.g. Banca Nazionale del Lavoro, in Uruguay), or by helping to create an SME-association of cooperating banks for the purpose of centralizing, and thus improving, the appraisal of SME projects, and reducing security and collateral requirements (similar to Kenya's Small Enterprise Credit Association - SECA);

(f) Follow-up training modules in modern business practices such as financial management, merchandising, quality control, pricing techniques, personnel and inventory control, which permit Empretecos to acquire necessary business skills as they need them in time slots which do not interfere with running their businesses. The modules are given by EMPRETEC-selected local business consultants or cooperating business executives;

(g) One-on-one assistance by EMPRETEC national staff to established Empretecos in accessing quality consultancy services and in identifying and negotiating subcontracting arrangements with larger companies;

(h) Assistance by EMPRETEC national staff to complementary smaller EMPRETEC companies which may benefit from a larger size, in establishing cooperation networks, medium-sized partnerships or joint ventures;

(i) Assistance by EMPRETEC staff to larger companies in spinning-off some of their less efficient operations and transferring them to suitable EMPRETEC enterprises. Although some assistance is free of charge, particularly at the beginning of the programme, entrepreneurs pay subsidized, and later on, cost-covering fees for the training workshops and for many of the services provided by EMPRETEC.

4. Regional and international networking

28. The programme capitalizes on the outward-looking, export and international business orientation of the entrepreneurs, making EMPRETEC a regional and world-wide programme network. By linking up national programmes with regional and international business databases and networks, the programme offers direct access to export and business opportunities. 7/ In addition, as strong local joint venture partners emerge and solid investment projects are generated through the various EMPRETEC activities, specific efforts are directed at fostering linkages between domestic SMEs and TNCs. Some of the activities undertaken to stimulate cross-border business ventures among Empretecos and to foster business linkages of Empretecos with TNCs are:

(a) Regional business exchange meetings and workshops on trade and investment opportunities within the region or subregion for Empretecos of neighbouring countries, in cooperation with regional business organizations;

(b) Assistance by EMPRETEC national staff to Empretecos in establishing cross-border ventures among them;

(c) Organization and conduct by the executing organization of workshops on negotiating and establishing such international business collaboration arrangements with foreign companies as: subcontracting, joint ventures, technology transfer, licensing, franchising, marketing and management agreements, access to international networks, and export-oriented joint ventures;

(d) Identification, by EMPRETEC staff in cooperation with established enterprise-support organizations in the country such as development banks, investment boards, chambers of industry and commerce, venture capital companies, etc., of promising project proposals that may benefit from collaboration with foreign companies. The project proposals may be generated by the cooperating organizations or from EMPRETEC-sponsored workshops;

(e) Selection by the EMPRETEC Board's Business Committee of business linkage project proposals to be supported by the programme;

(f) Establishment by the executing organization of a network of cooperating business associations and other organizations in industrial and advanced developing countries. Such organizations are instrumental in successfully locating suitable foreign companies in their respective countries to collaborate with the selected SME projects;

(g) Assistance, by the executing organization, to domestic SMEs in negotiating fair and equitable contractual arrangements with TNCs and other foreign companies;

(h) Other networking mechanisms are national and international newsletters, cross-programme study tours for EMPRETEC national staff, and the EMPRETEC international and national offices which provide entrepreneurs with information on business opportunities and technological developments.

5. Technology development

29. The original objective of EMPRETEC was to focus on technology-oriented SMEs and on technology development in order to improve the international competitiveness of developing country SMEs. Although EMPRETEC succeeded in generating a number of technology-oriented projects, this has been achieved as part of the general entrepreneurship training, and not as a result of systematically developed technology-oriented activities. Work on the establishment of business incubators and technology parks, along the lines of the Rensselaer Polytechnic Institute model, could not be developed beyond the initial stages because of resource constraints at EMPRETEC's headquarters. 8/

6. Capacity-building

30. The activities under this module aim at developing the national institutional and managerial capacity to promote entrepreneurship and SME development on a long-term, self-financing basis and are all carried out by the National Programme Director in cooperation when necessary with the executing organization:

(a) Private sector business organizations: entrepreneurship training workshops are organized for members of these organizations; their trainers are trained in entrepreneurship training;

(b) Universities: specific entrepreneurship and enterprise development curricula are designed for business and engineering schools; graduate students are mobilized for university/industry joint activities with EMPRETEC, such as studies of the potential for subcontracting among large national and foreign companies, or surveys of the SME capacity to supply large contractors in specific sectors;

(c) Banks: loan officers are trained in how to account for entrepreneurial potential in project appraisal; bank managers are encouraged to organize an association to facilitate SMEs' access to credit;

(d) Para-statals: in support of privatization efforts, specific entrepreneurship workshops are organized for personnel of para-statals to encourage innovation and entrepreneurial behaviour and for managers and employees with entrepreneurial potential to assist them in starting their own ventures;

(e) Other public sector agencies: awareness programmes are organized to sensitize public sector officials to the role of entrepreneurs in development and the need to facilitate and support them in their business ventures;

(f) EMPRETEC Foundation: building upon the EMPRETEC institutional base set up in each country, an EMPRETEC Foundation or equivalent organization is established by the local organizations to continue the programme on a self-sustaining basis beyond the four-year involvement of the international executing organization. Typically, the key institutions represented in the Board of Directors become the founding members of the Foundation.

31. The typical sequence of activities of an entrepreneur who wishes to benefit from the EMPRETEC programme is as follows:

(a) He or she starts with the selection procedure, which requires the completion of an application form, an individual interview and, if selected, participation in the entrepreneurship training workshop;

(b) At the end of the workshop, the entrepreneur is invited to join the local EMPRETEC Association, where common problems are discussed, mutual support is provided in overcoming bottlenecks, and contacts are made that often lead to partnerships and joint ventures;

(c) The local EMPRETEC office follows up on the workshop by assessing, together with the entrepreneur, the different needs which the entrepreneur's project has and discusses ways in which EMPRETEC can help in realizing the project;

(d) Initial support, such as fine-tuning the business plan or assistance in seeking financing, is usually free of charge but follow-up support services are provided for a subsidized or cost-covering fee;

(e) Participation in the EMPRETEC programme provides Empretecos with the possibility to make use of a large variety of services and contacts to assist them in establishing or expanding their businesses: specific training courses can be organized on request, experts can be retained and appointments with bankers and other business contacts can be arranged;

(f) For Empretecos interested in international business, services are available through the local EMPRETEC offices varying from general information on international markets to the provision of details on foreign buyers and sellers or potential business partners; in addition Empretecos are invited to attend international EMPRETEC meetings which facilitate cross-border business arrangements between them.

C. Unique features

32. From its initiation, EMPRETEC establishes in each country an effective and active coalition of public sector officials, entrepreneurs, experienced managers, bankers and TNC executives that participate in the direction of the programme at the national level. This coalition, together with the EMPRETEC associations of entrepreneurs, guarantees the future self-sustainability of the programme. By involving representative business associations and public sector officials in the management of the programme, EMPRETEC provides an instrument for identifying and removing unnecessary bureaucratic constraints imposed on entrepreneurs and SMEs, thus contributing to improve the overall business climate of a country.

33. The programme uses local expertise and local private and public sector resources. National Programme Directors are therefore nationals and in the first two to three years of each programme much emphasis is given to training of local staff and trainers.

34. Mobilization of local support is also high on the agenda of each National Director, since United Nations funding is provided only for the first three to four years while the programme is being developed and consolidated. Each National Programme therefore becomes largely self-financing at the end of that period, when the programme can generate its own resources from fees charged for activities and services and local sponsors are prepared to cover some of the costs. The need to become self-financing forces programmes to fine-tune their activities to meet the needs of their clientele and to maximize the success rate of entrepreneurs. A high return on programme resources also increases the interest of programme sponsors, such as local banks, private companies and public sector agencies.

35. Governments have strongly supported the EMPRETEC programme because of (a) its objective selection of entrepreneurs, (b) its provision to build the national capacity, (c) its ability to mobilize resources from the private sector, including TNCs, to help develop the SME subsector, and (d) its international dimension comprising of advisory services on international markets and on potential foreign partners, and a network of EMPRETEC entrepreneurs currently covering eight different countries.

III. PROGRAMME RESULTS

A. Current programmes

36. The first EMPRETEC programme started in 1988 in Buenos Aires, Argentina. Since then seven other programmes were established, namely in Nigeria (1989), Uruguay (1989), Chile (1990), Ghana (1990), Brazil (1991), Zimbabwe (1992) and Venezuela (1992). 9/ Most of these programmes, except the programmes in Brazil and Venezuela, are based in the capital city. Some have more than one office and include fully staffed regional offices, such as Ghana (2) and Nigeria (2). The programme in Brazil is presently based in two states but it is expanding to five others.

37. In addition, preparatory assistance or project documents have been formulated and submitted for the following 18 countries:

(a) Africa and the Middle East: Egypt, Ethiopia, Mozambique, United Republic of Tanzania, Tunisia, Uganda and Zambia;

(b) Asia: Pakistan and the Philippines;

(c) Latin America and the Caribbean: Bolivia, Jamaica, Mexico and Trinidad and Tobago;

(d) Eastern Europe and the newly independent States: Albania, Hungary, Latvia, Lithuania and Romania.

Also requests for EMPRETEC programmes have been received from Benin, Colombia, Oman, Paraguay and Viet Nam.

38. Professional EMPRETEC staff members in the field, totalling 22, have been trained in the various aspects of entrepreneurship and business development. The programme has also trained 30 local trainers who have been officially certified as Entrepreneurship Development trainers. Project installation manuals, training handbooks, EMPRETEC newsletters and EMPRETEC client databases have been developed and improved over the last six years, thus helping Empretecos in eight different countries to have access to up-to-date information and to continue a dialogue with EMPRETEC staff on the effectiveness of ongoing activities and the need for additional support services.

39. In addition, active coalitions of public and private institutions have been mobilized in all eight countries where they participate in EMPRETEC National Committees or Boards, and in technical advisory panels. There are also 12 active associations of Empretecos of which 8 are in Latin America and 4 in Africa. There is more than one association per country because the programmes have decentralized operations by establishing support centres in various locations within each country. The associations are locally based but they maintain strong links with each other and with associations abroad.

B. Impact on entrepreneurship and development of small- and medium-sized enterprises

40. The programmes had a significant impact on the local economies in the form of entrepreneurs trained, business generated, jobs created, export growth and technology transfer. Not less than 25,000 entrepreneurs applied in the past six years for participation in the entrepreneurship workshops. After careful selection, 2,257 (of whom 25 per cent are women) were trained and received technical assistance as of January 1994.

Box 1

CATALYTIC CONVERTERS FOR CITY BUSES - An environment-friendly joint venture (Argentina/Chile)

Jorge Sans, an Empreteco from Mendoza, Argentina, owns a company which produces automotive supplies and commercialized clutches and brakes.

Through the programme he met Chilean Empreteco Wenceslao Vivanco who, using Canadian technology, had developed a system for cleansing diesel exhaust. Within two months, Jorge and Wenceslao established a transnational company, encouraged the provincial government to set specific limits on bus exhaust in the city of Mendoza (approximately 1 million inhabitants) and reached an agreement on the technical specifications with the owners of urban transport buses for the utilization of this type of catalyser.

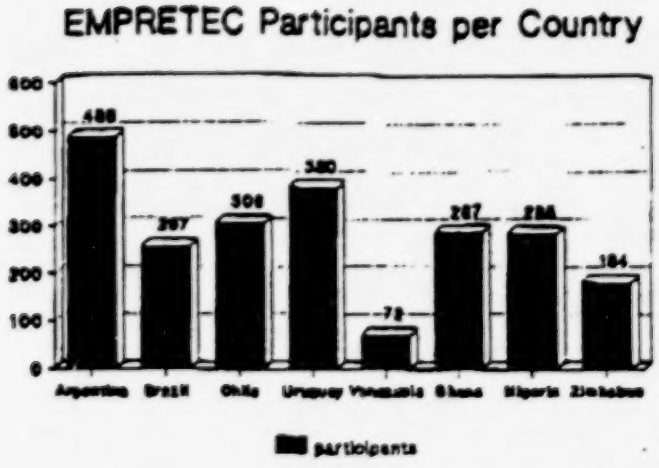
Jorge and Wenceslao received an order of US$ 300,000 from different bus companies and exported a total of 500 bus catalysers to Mendoza, equipping all urban transport buses in the city.

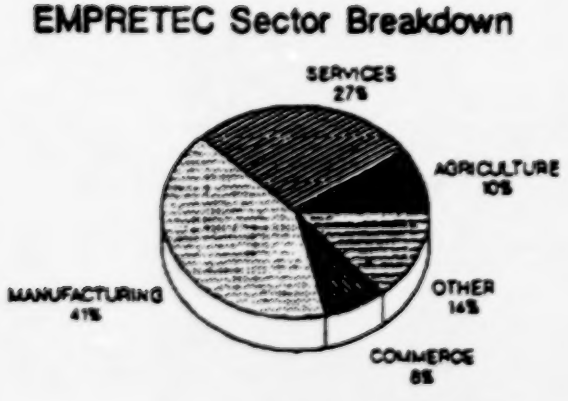
Now that the city of Buenos Aires has set the same regulations on exhaust from city buses, the Argentinean/Chilean joint venture is in the process of negotiating a similar deal in Argentina's capital city.

41. About 80 per cent of the entrepreneurs who entered the programme already operated a business and were looking for assistance in expanding their enterprise. Of the entrepreneurs who did not have a business, over 250 started a new enterprise in such sectors as food-processing, agro-industry, textiles, plastics, chemicals, automobile parts, informatics, and bio-technology. Moreover, as the gestation period of new businesses is one to two years, and sometimes three years, new businesses are generated at an increasing rate as the programmes mature.

42. A sectoral breakdown of the enterprises operated by the participating entrepreneurs is shown in figure 1. It is not surprising that 41 per cent of the businesses fall into the manufacturing sector since one of EMPRETEC's objectives is to improve the productive base of local economies, and entrepreneurs are thus partly selected on the basis of their business or project idea. The selected enterprises in the services and commerce sectors are generally innovative or employment generating.

Figure 1. Total number of entrepreneurs (as of January 1994) selected by the EMPRETEC programme to participate in the entrepreneurship workshops and to receive technical assistance





Box 2

FAMILY HEALTH CARE (Venezuela)

The EMPRETEC programme in Venezuela is based in Merida, a city in the Andes region. Mr. Hernán Rondón is an entrepreneur who in 1991 established a family health care service in Merida and called it Asistencia Médico Familiar. The company sells family health care plans to low-income groups, provides basic medical and dental services in its own clinic, and partially compensates the costs of medical treatment elsewhere if it refers clients to the hospital or a specialist.

Since its inception, Mr. Rondón's business has grown from 2 to 34 employees. The number of patients enrolled in the company's health care plans grew from 450 in 1991 to 3,600 in 1993 and the medical services provided by the clinic are being expanded to respond to the fast-growing clientele.

Mr. Rondón joined EMPRETEC in October 1992 and the programme helped him in many ways, but especially in improving his management skills. An area in which EMPRETEC's assistance was essential was in finding alternative solutions for financing the enterprise's rapid expansion. Instead of borrowing money, Mr. Rondón was advised to start partnerships. This worked out very well and with EMPRETEC's help, Mr. Rondón is now developing new plans for future expansion.

43. Currently 10 per cent of the businesses assisted fall into the agricultural sector, but the share of this sector may grow in the near future because of the desire of local private and public sector organizations to decentralize part of the programme's activities. The "other" category in figure 1 represents entrepreneurs who are in the process of starting a new business or changing their line of business.

44. Nearly all entrepreneurs who enrolled in the programme and already had a business were able to expand or modernize their business operations after joining EMPRETEC. Statistics from the EMPRETEC programme in Uruguay show that entrepreneurs who have been in the programme for two and a half to three years, despite the difficult economic situation in Uruguay, have increased the number of employees by 18 per cent, sales volume by 87 per cent, assets by 42 per cent and their exports as percentage of total sales by 100 per cent.

45. EMPRETEC's success caught the eyes of several donor organizations. Some bilateral and multilateral donor agencies decided to sponsor EMPRETEC rather than duplicate efforts by starting new programmes, and contributed substantial funds to national institutions for the expansion of programme activities under the EMPRETEC umbrella. The Italian Government, which provided the initial funding ($1 million) that started EMPRETEC in Latin America's southern cone countries, was the only direct contribution to the executing organization. Others provided funds through local organizations. USAID contributed $600,000 for EMPRETEC activities in Chile, Ghana and Uruguay. The United Kingdom's ODA contributed $2,188,000 to the programme in Ghana for the provision of technical support to SMEs and to assist them in the establishment of business linkages

with companies in the United Kingdom and in other European Community countries. The Spanish AECI contributed $175,000 to support EMPRETEC activities in Uruguay. Smaller contributions of between $5,000 and $25,000 have been made by Canadian CIDA, German GTZ, IDB, ITC, and UNIDO for the implementation of specific programme activities. Private and development banks, as well as private companies, have also provided financial support to the programme.

Box 3

LADIES' AND CHILDREN'S GARMENTS (Zimbabwe)

Ruth Pasipanodya's business is only three years old, but she already employs 75 people. Her company, Escapades, specializes in the design and manufacturing of ladies and children's garments. EMPRETEC Zimbabwe has helped Mrs. Pasipanodya through various training programmes, such as entrepreneurship development workshops, marketing training, and a course in customer services. She also received guidance in the areas of quality control, production line efficiency and personnel incentives.

Escapades' high-quality cotton clothing is produced using local material. To diversify within the domestic market, the company will expand product lines that utilize imported polyester blends. The import of these raw materials requires hard currency, so Mrs. Pasipanodya is looking for export markets for her high-quality cotton fabrics. She attended the 1993 EMPRETEC Global Fair to test her products on the international market and to look for export opportunities in Latin America, where discussions are under way on trade arrangements with Latin American Empretecos.

C. Impact on regional and international enterprise cooperation

46. The increased export sales of EMPRETEC enterprises, particularly in Uruguay, is a direct result of the regional and global EMPRETEC meetings, five of which have already taken place in Brazil, Chile and Uruguay. The first four meetings had a regional character and hosted entrepreneurs from the Latin American EMPRETEC programmes. The last meeting in September 1993 which was held in Porto Alegre, Brazil, was the first global EMPRETEC meeting bringing together African and Latin American entrepreneurs. In total 250 entrepreneurs from Argentina, Brazil, Chile, Ghana, Nigeria, Uruguay, Venezuela and Zimbabwe participated in this meeting.

Box 4

MICAP COMPUTER SERVICES - A tech-based SME (Ghana)

Michael Appiah, whose company Micap Computer Services was featured in 1992 in Newsweek magazine, also attended the EMPRETEC global meeting in Brazil to find up-to-date equipment for computer repair and services. He had many meetings with Empretecos who were in the same business and also visited the MERCOPAR Industrial Sub-contracting Fair, which was held in Caxias do Sul, parallel to the EMPRETEC global meeting in Porto Alegre.

Mr. Appiah developed and is currently producing the Uninterrupted Power Supply (UPS) unit, which is less expensive and of better quality than any other UPS system offered on the Ghanaian market. Employing 12 people his company has been very successful and one of the reasons for this success is the company's flexibility in responding to changing market needs in the areas of computer repairs and computer training services.

The EMPRETEC programme has been essential in helping Micap negotiate with several potential joint venture partners. Mr. Appiah especially praised the programme's assistance in preparing a company profile and in formulating a business proposal for future expansion.

47. At the global meeting in Brazil, EMPRETEC, together with the local counterpart, the Brazilian Micro and Small Companies Support Service (SEBRAE), facilitated through business rounds the initiation and establishment of business linkages. An evaluation of the meeting shows that 350 different business linkages were initiated varying from selling-buying agreements to cross-border agency contracts. Most of these new business contacts were considered by the entrepreneurs as good or very good and will be pursued by them with the assistance of EMPRETEC. The global meeting was already followed up in December 1993 by a mission of 35 Brazilian entrepreneurs to Montevideo to meet with their Uruguayan counterparts.

Box 5

DIGIVOX - A high-tech SME (Brazil)

With two associates and three employees, Digivox is a relatively small enterprise in Porto Alegre, but it falls in the high-tech category. Mr. Luis Augusto Duarte, entrepreneur and associate in the company, developed software for examining audio-soundtrack equipment. In November 1993 he released a newly developed software program to be used in conjunction with electrocardiographs (ECG).

Mr. Duarte first displayed a prototype of his new system at the MERCOPAR Industrial Sub-contracting Fair. At the Global EMPRETEC Fair, two Empretecos agreed to be his agents in Argentina and Uruguay, marketing his new ECG software package in these countries.

According to Mr. Duarte, EMPRETEC not only helped him in making the step from technician to entrepreneur, but also provided him with a network of business contacts crucial to developing and marketing his products.

48. Another EMPRETEC activity facilitating cross-border business linkages is INNET. This information network has been established in 1993 and is based in EMPRETEC headquarters. INNET helps establish business linkages by responding to specific requests from entrepreneurs for information on international markets, foreign buyers and sellers, equipment and potential business partners. This service is still in a pilot stage, but already processes about 10 requests per month.

49. Contact between EMPRETEC programmes and entrepreneur associations in Latin America and the regional meetings in Uruguay, Chile and Brazil have been instrumental in the establishment of hundreds of cross-border business linkages between EMPRETEC entrepreneurs from Argentina, Brazil, Chile and Uruguay. These enterprise-to-enterprise linkages are contributing to regional integration and to improving the investment climate in the Southern Cone region. Future promotion of regional integration is envisioned through the establishment of regional EMPRETEC offices in Latin America and Africa. These offices will be responsible for strengthening the regional networks as well as back-stopping EMPRETEC's national programmes.

Box 6

CLAY AND PAINT PRODUCTS FOR CHILDREN (Uruguay)

Mr. Mario Rabinovich is an Empreteco from Uruguay and owns a company called Rabinovich & Infantozzi, which produces non-toxic paints and coloured clays for children.

Mr. Rabinovich is affiliated with more than 100 schools and has developed an eight-hour course for parents and teachers in the use, theory and appreciation of his clay and paint products. Over 3,000 people have already attended the course, 500 from Bolivia and Argentina.

According to Mr. Rabinovich, EMPRETEC has been instrumental in helping him expand and diversify his market. At the EMPRETEC global fair in Brazil he met with potential partners interested in franchising his products. A chemical engineer, Mr. Rabinovich is a professor at the Universidad de la Republica in Uruguay and, as an active member of the EMPRETEC Entrepreneurs Association, he has helped several Empretecos in the technical development of their products.

50. An important achievement of the EMPRETEC programme has been in stimulating large national and transnational corporations to cooperate with local SMEs. To date, EMPRETEC enterprises have established links with over 100 large national and transnational corporations, including Agfa Gevaert, Barclays Bank, Coca-Cola, DuPont, IBM, Johnson & Johnson, Ogilvy & Mather, Price Waterhouse and Siemens.

IV. EVALUATION

51. EMPRETEC is now a major entrepreneurship and SME development programme with established support offices, boards of directors, full-time national programme directors and staff (numbering 22), and over 2,000 participants and their EMPRETEC associations in eight countries of Latin America and Africa. The current budgets of the existing programmes add up to over $5 million, and the budgets of the 18 programmes in the pipeline are estimated at $9 million (for three years). It is important to note that only a minimal amount of these funds is allocated to financing the central operations. When all these programmes are in place by mid-1996, there will be more than 60 programme directors and staff in the field. In addition to these pipeline programmes, requests for national projects have been received from five more countries.

52. EMPRETEC programmes had no doubt a significant positive impact on local SME development. The effects have been different in each country depending on the local economic and political situation. The favourable economic climate in Chile and Ghana have given a major boost to the SME sector in these countries and helped many EMPRETEC entrepreneurs reach their targets. On the other hand, entrepreneurs in Nigeria had more difficulties during 1993 with the continuous political unrest and an often stagnant economy. Much of the resources and efforts which were put in the Nigerian programme could, therefore, not be

optimally used. It is clear from the experience with EMPRETEC that the programme is effective in promoting entrepreneurship and SME development, but its success rate depends heavily on the political and economic environment in which the entrepreneur has to operate.

53. The success of the programmes is largely due to the joint commitment of the United Nations, government agencies, private sector and client entrepreneurs to make EMPRETEC work. The United Nations role has mainly focused on the establishment of the programme, training of directors, quality control over programme activities, bringing "best practices" in any one programme to the attention of all others, and the financing of personnel and activities during the initial three to four years of the programme.

54. The programme has:

(a) Demonstrated success in identifying, motivating, focusing and providing training, advice and assistance to entrepreneurs to enable them to develop their projects and turn them into profit-making enterprises;

(b) Contributed to energizing the private sector and to improving the business environment. In particular, it has stimulated business associations to enhance and expand support services to their SME members and it has provided an important link between the established business community and the emerging entrepreneurial class, which has been given a voice through the association of Empretecos;

(c) Shown that small/medium businesses can be effective agents for regionalization and internationalization. In this context, it stimulated entrepreneurs into exporting their products. The international dimension played an especially crucial role in countries with a smaller internal market, such as Chile, Ghana, Uruguay and Zimbabwe;

(d) Produced an awareness of the potential benefits to be derived from linkages between subsidiaries of TNCs and domestic SMEs and has developed methods to facilitate those linkages;

(e) Proven that it is possible to establish national institutions to carry on the programme independently from EMPRETEC headquarters and on a self-sustaining basis;

(f) Opened the way to cooperative, productive arrangements with other multilateral and bilateral programmes, thereby enhancing both its and their effectiveness.

55. EMPRETEC headquarters currently serves eight countries. In Latin America, Argentina has been operating for six years, Chile four years and Uruguay five years. These are mature programmes which are continuing beyond the executing organization's original commitment of three years. The three of them have been institutionalized, Argentina and Uruguay in EMPRETEC Foundations, and Chile in Fundacion Chile, which was the original counterpart organization. While the executing organization no longer contributes to their budgets, nor

does it have a defined role in their operations, their continued viability and success is intertwined with and vital to the further growth of EMPRETEC.

56. Brazil and Ghana are completing their third and fourth years, respectively, and still require some support from the executing organization. UNDP and the Government in both countries are committed to programme expansion to other national regions as well as in content and international networking. A $1 million expansion of EMPRETEC to five new states has recently been approved by the Brazilian Government and UNDP. Similarly, in Ghana UNDP has approved a $0.5 million expansion of the programme to various regions of the country, and the United Kingdom's ODA has granted to the EMPRETEC counterpart organization in Ghana the equivalent of $2.2 million to finance business linkages of Ghanaian SMEs with United Kingdom and European businesses.

57. Nigeria has been operating for over four years but administrative problems in the local office, and resource constraints at EMPRETEC headquarters, have inhibited its proper development. The basics now are in place, but the inherent administrative problems have not been fully resolved and further close monitoring and supervision are necessary.

58. Zimbabwe and Venezuela are the newest programmes. They have been operating for just over a year, and it is too early to evaluate their performance.

A. Programme strengths

1. Selection and motivation of entrepreneurs

59. Working from the original model, the programme management modified and adapted the selection procedures to improve the percentage of entrepreneurs who succeed in starting and developing their businesses. EMPRETEC's trademark entrepreneurship workshop which begins the support process is perhaps the most widely successful element and an essential instrument to generate the motivational energy which drives the subsequent elements of the programme.

2. Developing new businesses

60. The programme has considerable success in generating new enterprises and expanding existing businesses. Many of these businesses are between Empretecos, both nationally and regionally. The growth in business and enterprises continues long after the entrepreneurs receive the initial training.

3. Bottom-up approach

61. One of EMPRETEC's strengths has been its bottom-up approach, basing its concept, implementation and activities on the real needs of its participant entrepreneurs. This has been possible by maintaining a flexibility that permits the programme to learn from its entrepreneurs and adapt to their changing needs. The programme has relied on its participants, directors and local trainers for guidance in making changes and introducing new concepts rather than imposing

them from headquarters. It was the entrepreneurs who led programme management to the need for interchange and mutual support from their peers and the resultant growth of EMPRETEC entrepreneur associations. It was the entrepreneurs who initiated the drive for regional networks and their regional business-promoting round-ups. And it was the entrepreneurs who led management to devise business analysis programmes to help them develop action plans.

4. Institution building

62. EMPRETEC could not have achieved its record without the establishment of strong national institutions. Long-term continuity requires wide community support and a sense that the programme is a national responsibility. This was achieved through several integrated modalities:

(a) National financial support is obtained to supplement UNDP and other donor contributions to the programme;

(b) A strong counterpart institution is invited to house the national programme;

(c) A working private sector-driven national committee or board is established in each country to oversee the programme and take responsibility for it;

(d) Effective entrepreneur associations are supporting their members and the programmes.

Together, these steps have resulted in the mature programmes, such as Argentina, Chile and Uruguay, continuing to function and find financial support on their own after the initial United Nations funding has terminated.

B. Shortcomings and needed improvements

63. There are several areas which need reinforcing and improvement and others which, although listed as part of the programme, have not been fully implemented so far.

64. Follow-up training: While arrangements have been made for scholarships to several privately sponsored short-term courses, the programme has no systematic training to offer on an ongoing basis. It is important to develop a modular training series which would be attractive to the entrepreneurs and tailored to their time restraints. More interaction with local universities and training institutions as well as with ILO should also be pursued to fill this need.

65. Linkages with TNCs: With the exception of the programme in Ghana, no systematic attempt has been made to facilitate and stimulate linkages with foreign companies. Executives from subsidiaries of TNCs have been helpful in providing advice and training, but this has not been sufficient to take participants further on the road to consummate a business deal with a foreign company. Internationally, the programme should intensify its efforts to open up

wider networks and databases for linkages and exports and identify, through industrial country business associations, interested SMEs in developed countries. Nationally, efforts should be made to establish a subcontracting exchange.

66. Financing of SMEs: Efforts in this area are ad hoc and left to the imagination of the local director. Yet there are some experiences - such as in Uruguay with Banca Nacionale del Lavoro, and in Kenya with the Bankers' SME association - which have proven successful in facilitating the access of SMEs to financial resources, and these should be systematically developed for application in all the programmes where they are feasible.

67. Participants database: There is no satisfactory database on EMPRETEC participants nor a fully developed system for tracking their progress. This information is vital for monitoring and evaluating the results of the programmes.

C. Cost effectiveness

68. The cost of each country programme varies from country to country depending on the local contribution and existing infrastructure and on the availability of local trained entrepreneurship trainers. When EMPRETEC was started in 1988 local trainers were not available, and the foreign exchange cost of the programme was close to $700,000 for three years, of which roughly one third was for training subcontracts and fellowships. Now that there are local teams of certified entrepreneurship trainers in both Latin America and Africa the cost of programmes is considerably lower. They are about $550,000 for three years, of which some one fifth is for fees of national trainers and for training fellowships. The local costs for such items as rental of office space, conference rooms, training facilities, salaries of administrative and secretarial staff, telephones, local advertising, etc., estimated at about the equivalent of $200,000 for three years, are contributed mainly in kind by the counterpart organization. When the programme matures (three to four years), the cost per year can be kept at around $150,000.

69. A measure of the cost effectiveness of the programme is the extent to which the annual operating costs can be recovered from fees charged for training workshops and business support services. This is in fact the case of the more mature programmes in Latin America which are now largely self-financing. The fees per participant charged for the entrepreneurship training workshops are $300 in Uruguay, $400 in Argentina and $600 in Chile. These fees not only recover costs, but provide extra revenue for other EMPRETEC activities.

70. Every programme has a different fee structure dependent on the experts used and on external funding. Some programmes, such as EMPRETEC Nigeria, have provided most support services free of charge, but they are now developing a fee structure for all services. EMPRETEC Ghana charges $600 (60 per cent cost-covering) for the preparation of a business plan. A Ghanaian SME can now hire through EMPRETEC the services of an international senior adviser in financial management, marketing or production management for about $600 per month (30 per cent of real local costs, excluding off-shore expenses).

D. Personnel/budget issues

71. EMPRETEC's eight field offices were coordinated by a six-person team based in New York, but as a result of the transfer of the programme to Geneva, the team has been reduced to four. The team at full strength is composed of a programme manager, a secretary, one officer for Latin America and the Caribbean, one for Africa and Asia, one for economies in transition, and one for building up and operating the information network. All of the staff have been on temporary extrabudgetary posts or have been associate experts funded by donor Governments. In the past, the Netherlands and Italy funded two EMPRETEC officers each, and Germany one.

72. The primary functions of the central management team is providing guidance to new directors, ensuring quality through organizational, technical, and financial backstopping, development of new and specialized programme activities, establishment of new programmes and fund-raising for further programme expansion. Several of these functions have been hampered by organizational, budgetary and personnel constraints. In particular, the ability of the programme to provide continuity of support to some national programmes and to fully implement various components has been limited. In some country programmes three different officers were involved at one time or another in a period of less than two years. Lack of programming funds has prevented field missions from taking place in response to requests for new programmes.

73. In order for EMPRETEC to carry out the programme's substantive development and geographic expansion while maintaining its quality and reputation, there is a need to support the necessary staff on a long-term basis and provide for their training. Additional personnel is required at headquarters for programming activities as well as for special programme components, such as the information network, the EMPRETEC database, and the EMPRETEC Bulletin.

74. EMPRETEC's proposal to establish regional South American and African offices to manage regional activities and provide specialized service for client entrepreneurs and for regional joint ventures could alleviate some of the personnel constraints experienced at EMPRETEC headquarters. Financing for such offices, however, has not yet been secured.

V. LESSONS LEARNED

75. In the six years since EMPRETEC was started, several lessons were learned that helped in modifying aspects of the programme. In general the lessons reinforced the basic EMPRETEC concept, while suggesting needed refinements in the modalities of implementation. The following are some of the main themes that stand out.

A. Concept

76. The entrepreneur is the key actor; the focus should be on him/her rather than on his/her enterprise. Early on it was found that the focus of the programme had to be on the individual. Entrepreneurs can generate dynamic, successful enterprises but dynamic, successful enterprises do not self-generate. While the facility with which individuals evidence entrepreneurial behaviour and practice may be strongly conditioned by his or her genes, family background, culture and economic environment, research has shown, and the EMPRETEC workshops confirmed, that such facility can be significantly strengthened by appropriate exposure, training and support. Equally important, the EMPRETEC experience with the selection approach confirmed research findings indicating that entrepreneurial acumen can be meaningfully and accurately assessed by measuring the extent to which an individual manifests key entrepreneurial behavioural characteristics.

77. Practical exercises during the entrepreneurship workshops and the succeeding concentration on business plans oblige the participating entrepreneurs to analyse the commercial possibilities of their projects. More often than not, if the initial projects do not appear to be economically or technically viable, the entrepreneurs do not merely abandon them. They look to other products or markets and get on with their businesses.

78. Mutual support systems providing the entrepreneurs with a sense of solidarity are crucial to producing desired business results. In successful European industrial districts such as Baden-Wurtemberg, Lombardia and Emilia Romagna, communities of small firms have achieved remarkable growth, overcoming isolation and powerlessness through inter-firm relations and networking. The EMPRETEC approach is proving successful in replicating this European model. The bonds created through the initial workshops and the continuing technical and managerial assistance programmes have been geared to facilitate the formation of mutual support groups constituted as EMPRETEC entrepreneur associations (named EMPRETEC Business Forum in the African countries).

79. The associations, acting much like collective entrepreneurs, have stimulated national, regional and international business transactions between their members and have established inter-association agreements and mechanisms which facilitate these transactions. From the first sporadic contacts among individuals, this integration process grew into the first regional EMPRETEC business exchange fair in Colonia, Uruguay, organized by the Uruguayan association. The business accomplished in this first "encuentro" encouraged other associations to sponsor the subsequent fairs as reported under section III.C.

80. The EMPRETEC associations have tied into satellite networks with export databases, set up a database of all association members, agreed to exchange office and secretarial facilities for their members, providing a constant flow of information and opportunities as well as a desk, telephones and secretaries in each country for entrepreneurs from the entire region. The arrangements were formalized, in the case of Latin America, in a charter for an Asociacion

Latinoamericana EMPRETEC agreed to in Montevideo by the representatives of the five Southern Cone associations.

81. SME-foreign company synergy can effectively facilitate enterprise growth and expansion. TNCs and large national corporations are the major marketing, management, technical and financial actors in many of the developing countries. Linking entrepreneurs with subsidiaries of TNCs and the established business communities has opened effective channels for SME development. Executives from firms as diverse as Siemens, Ogilvy & Mather, Price Waterhouse and Bank of Boston have provided input to the programme through volunteered specialized advice and assistance on matters from marketing and financial practices to quality control and new production. They have led training sessions for small groups and provided one-on-one assistance.

82. TNCs can also possibly serve as licensors, joint venture partners and subcontractors and be sources for credit for machinery and materials, technology transfers, management techniques and penetrating overseas markets. In EMPRETEC, for example, firms like Dupont have provided credit, technical assistance in product development and guarantees for machinery purchases. IBM has helped develop subcontractors to provide parts to their world-wide network. Banco Independencia in Argentina has facilitated the sale of smog control equipment for a Chile-Argentina joint venture by providing credit for its customers.

83. The entrepreneur is a driving force for regional integration. The dynamism of the entrepreneurial enterprise is an important factor in making regional integration work. Entrepreneurs are motivated to grow into regional markets, and their businesses are sufficiently flexible and specialized to form partnerships and joint ventures with other SME companies in countries within the region. As at the country level, the entrepreneurial enterprise can be an innovator providing the leading edge for regional integration. By creating a network of business-to-business cross-border linkages, regional entrepreneurial enterprises can enable macroeconomic integration measures to achieve meaningful results in the form of increased economic efficiency and employment, renewed trade and investment flows within and to the region and an improvement in the region's terms of trade.

84. EMPRETEC was originally conceived as a national programme. With the internationalization and regionalization of the entrepreneur associations in the Southern Cone at the first business fair in Uruguay, the executing organization was compelled to regionalize the programme. Arrangements were made for multi-country participants, regional training teams were formed, a newsletter was published, regional meetings were organized for the country directors, assistance was provided in organizing the regional business fairs and programme assistance for business contacts was established in the Latin American countries where EMPRETEC is operational. In Africa there is not as yet a sufficient number of programmes for a regional effort.

B. Implementation modalities

85. Programme flexibility is vital to permit adjustments to the changing needs of the entrepreneur. Entrepreneurs themselves are a flexible lot, constantly adapting to changing markets and developing technologies. It was found that flexibility was just as essential for an entrepreneurship development programme if it is to meet the needs of its own changing market. Initially, for example, the programme was oriented towards developing enterprises, concentrating only on those whose business plans showed promise. EMPRETEC entrepreneurs quickly made the executing organization aware that those who did not present business plans still often managed to get viable businesses under way. They also insisted on their need for a mutual support network. So the modus operandi was changed to assist promising entrepreneurs and their support groups, radically altering the workload of national directors.

86. The executing organization's insistence that business plans had to be presented within a reasonable time after the initial workshop also had to be altered. It was found that most of the EMPRETEC participants already had small businesses when they entered the programme and were more concerned with solving their present problems than preparing longer-term projections. Therefore, business evaluation exercises lasting four months and ending with an action plan were developed to follow the workshop. These exercises have been so well attended that cost recovery fees began to be charged, as it is done now for the initial workshops.

87. Enterprise formation is a local undertaking, even where it is oriented towards national or international markets. While many of the EMPRETEC entrepreneurs are internationally minded, all of them feel strong attachments to their local communities and fellow entrepreneurs. This was to be expected from the expressed need to establish mutual support networks. It led them to establish State or provincial rather than national associations. These local associations act as a national group when participating in international events or arrangements, but members' direct contacts are with their own units.

88. From a programme point of view, it was found that following a similar pattern fosters the formation of a critical mass of participants. This allows the programme to provide follow-up support services more efficiently and adapt activities to differing local needs.

89. In general, government agencies can be more effective in providing a supportive or advisory role than in micro-managing the programme. The contribution of representatives from public sector agencies in the EMPRETEC Boards of Directors has been on balance positive; they have assisted in lifting barriers to SME development, as in the case of Uruguay, they have provided needed funding for the programme, as in the cases of Argentina and Brazil, and funding for EMPRETEC entrepreneurs, as in the case of Argentina. In those countries however, where the Government insisted on, and succeeded in, controlling the programme, EMPRETEC results have been disappointingly poor.

90. Participation of the Government at a sufficiently high level in the EMPRETEC Boards has been helpful to stimulate policy initiatives in support of

SMEs, in response to concerns regarding government-induced constraints on SMEs brought to the attention of the Boards by EMPRETEC association leaders.

91. The success of a national programme depends to a large extent on the entrepreneurial talents of the national programme director. The programmes in Ghana and Uruguay have been the most successful ones so far, in terms of results achieved, initiatives undertaken, funds received, and ability to operate independently with little or no supervision from the executing organization. These programmes are managed by very energetic and resourceful directors who came to the programme from successful experiences in the private sector.

92. The selection of the programme director is a critical step, and where serious judgemental mistakes were made, the programme failed to deliver on its promise.

93. Financial resources for SMEs must be available in the $50,000 to $500,000 range required by most SME entrepreneurs. While there are a number of financing programmes for micro-businesses and both loan and investment programmes for investments in the $1 million and above range, little has been provided for the majority of SME entrepreneurs who require capital falling between these levels. The capital requirements of EMPRETEC participants whose enterprises have the potential to grow beyond their local markets fall between $50,000 and $500,000. Guarantees, inflationary interest rates, a lack of loan officers experienced in reviewing business plans, inadequate institutional arrangements for monitoring loans, shortcomings of some World Bank SME loan programmes that were channelled through State development banks, and the unwillingness of entrepreneurs to admit investor partners, are some of the problems.

94. EMPRETEC has attempted with moderate success to overcome some of these problems by providing a single source of information for all of the financing possibilities in a given country, working with a private bank to provide seed loans for EMPRETEC entrepreneurs, inviting loan officers to participate in EMPRETEC workshops to assist them in making a more realistic appraisal of the entrepreneurs and their business plans, arranging for successful business people who have outside investors to give seminars to the entrepreneurs on the advantages of investment capital, and holding investment forums for small groups of individual investors.

VI. FUTURE DIRECTION

95. EMPRETEC has built a reputation for quality and for generating entrepreneurial, innovative enterprises. This has been achieved by working with the entrepreneur in the field. If the programme is to maintain its quality and reputation the focus must remain on the entrepreneurs and their needs as assessed by direct experience with them rather than deciding what they need from the central headquarters.

96. A precursor to new initiatives is the maintenance of ongoing programmes. These require a significant amount of time from both the programme officer and the programme manager to understand and appreciate the constant shifts in

government and private sector officials, maintain relations with UNDP, keep directors on course and monitor the progress and quality of the programmes.

97. In section IV above, some of the initiatives which are necessary to increase the programme's effectiveness have been indicated. Beyond these, there is a need to intensify efforts in devising innovative financing arrangements for the entrepreneurs, including special credit lines in established banking institutions for EMPRETEC businesses. In spite of the facilities in place from the World Bank and the regional development banks, there is a critical need to match them with the enterprises which need the financing, especially those with capital requirements in the $50,000 to $500,000 range. There is also a need to explore other avenues such as venture capital companies; for example, the Venture Capital Company of Zimbabwe, which has been successfully operating since 1991. Finally, there is a need to develop workshops or seminars to educate entrepreneurs on other potential sources such as supplier's credit, or subcontracting advances, or bank discounting.

98. Globalization of the programme has moved forward with the recent global meeting in Brazil of African and Latin American Empretecos. This trend should be continued and extended to include Empretecos from Asia and economies in transition. Also, ways should be explored to extend EMPRETEC expertise to a much larger population within each country. The traditional EMPRETEC approach is restricted to Empretecos, who number now over 2,000. Other approaches, perhaps in cooperation with existing organizations in the country, should be studied to permit a larger impact, for instance by involving the over 23,000 applicants to the programme who were not selected to take the two-week entrepreneurship training workshops. In addition, by making the services provided by INNET available for a fee to the broader business community in each country, the EMPRETEC Business Support offices could be expanded into national centres for export and investment information/opportunities, while providing a source of income to support the national programmes.

99. EMPRETEC has proven to be a cost-effective and efficient programme to develop entrepreneurs, stimulate economic growth, promote regional integration and establish the necessary linkages between an emerging entrepreneurial class and the established business community. But, as emphasized earlier, EMPRETEC can only be effective in an enabling environment for entrepreneurship development where individuals are given the incentive and opportunity to start and operate a business.

100. EMPRETEC has received requests from over a dozen and a half countries in Africa, Asia, Latin America and Eastern Europe. Many of these countries have economies in transition and are presently in need of a programme to help an emerging class of entrepreneurs. New programmes, however, will also enlarge the EMPRETEC network, opening up new business opportunities for participants in existing programmes and responding to the growing need of entrepreneurs with smaller businesses to shift their operations across new borders.

Notes

1/ EMPRETEC is the Spanish acronym for "emprendedores" (entrepreneurs) and "tecnologia" (technology).

2/ In recognition of the importance of entrepreneurship for economic development, the General Assembly adopted resolutions 45/188 and 46/166, both titled "Entrepreneurship". In its resolution 45/188, the Assembly acknowledged the important role of entrepreneurship, notably the small- and medium-sized enterprises in mobilizing resources and in promoting economic growth and socio-economic development and welcomed the contribution which the United Nations system made in helping Member States promote entrepreneurship. In its resolution 40/166, the Assembly called upon the organs, organizations and bodies of the United Nations system, as appropriate, to promote entrepreneurship, when requested, by supporting the national efforts of countries and the measures they may adopt through market-oriented approaches to further the development of entrepreneurship and to help overcome the constraints they may face in this regard.

3/ The word entrepreneurship is derived from the French word "entreprendre", which means to undertake, to pursue opportunities, or to fulfil needs and wants through innovation or the establishment of an enterprise. Entrepreneurship is often defined as a set of special risk-taking qualities possessed by people who start or operate small- to medium-scale enterprises.

4/ There are other entrepreneurship development programmes sponsored by such organizations as UNIDO, the International Trade Centre, and by donor country agencies and NGOs that fall under one of the three categories discussed in paras. 10 through 15. A more complete description of such programmes is available through ILO's INTERMAN project, ILO, Geneva, Switzerland.

5/ Graduates of the two-week entrepreneurship training workshops. Every EMPRETEC-sponsored activity subsequent to these workshops is open only to Empretecos to ensure the high quality of the programme.

6/ The panels are set up by the National Programme Director at the conclusion of each training workshop. Members of the panel may vary from workshop to workshop, thus giving an opportunity to a broader cross-section of the banking and business community to get acquainted with the programme, and the projects.

7/ INNET is an information network recently established by the executing organization to facilitate export-oriented linkages between Empretecos and other businesses.

8/ A technology development programme to be implemented, wherever possible, in conjunction with existing EMPRETEC programmes is currently under preparation in UNCTAD.

9/ Development of regional networks for stimulating inter-country linkages has always been a basic tenet of the EMPRETEC approach. With this in mind, several programmes in Latin America, for which funding was provided by the Italian Government, were established before expanding to Africa, were programmes were initiated in Nigeria, Ghana and Zimbabwe with UNDP funding. In late 1992 a mission was fielded to Pakistan, for which a programme proposal was submitted but funding has not been approved as yet. Staffing and funding constraints at EMPRETEC headquarters have made it difficult to initiate programmes in Asia and to follow up on requests received in the course of 1993.